

SECRET

BIWEEKLY REPORT

SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

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**PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS**

ECONOMIC INTELLIGENCE COMMITTEE

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SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS*

I. Summary of Events, 3-17 July 1956.

Among the most significant Sino-Soviet Bloc efforts toward the expansion of economic relations with the underdeveloped areas of the Free World during the period 3-17 July 1956 were two Bloc moves that may evidence increased attention to Middle East petroleum operations. These were the low Czechoslovak bid to construct an oil refinery in Syria and a Soviet offer to deliver petroleum to Israel. Other significant developments during this period were the arrival of Soviet experts to advise India on the establishment of heavy machinery plants; the difficulties encountered in the construction of the Soviet steel plant at Bhilai, India; and an agreement between Yugoslavia and Rumania to investigate the possibility of joint construction of a hydroelectric power project on the Danube.

In South Asia, Afghanistan signed a contract with the USSR for the construction of oil storage tanks in key towns bordering main routes from Kabul to the Soviet border. In addition, Afghanistan is reported to be considering the use of US \$5 million** of the Soviet loan for a survey by the USSR of a proposed railroad which would run from Kabul to the Soviet border at Kushka. Even if the construction is not undertaken, the survey would give the USSR valuable topographical information about the routes through Afghanistan to India.

Four Soviet experts arrived in New Delhi to advise the Indian government on the establishment of plants for manufacturing heavy

* Although the main emphasis of the Biweekly is on economic activities of the Sino-Soviet Bloc in underdeveloped areas of the Free World, significant Bloc activities of this nature in areas not considered underdeveloped also will be discussed.

** Unless otherwise specified, all dollar values in this report are in terms of US dollars.

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machinery. It may be expected that the USSR will follow up the survey by offering to construct the plants. The USSR is reported to be having difficulties in work on construction of the steel plant at Bhilai. These difficulties make it doubtful that the project will be completed on schedule.

In the Far East, Cambodia received an offer of economic aid from the USSR, and plans for the implementation of the Chinese Communist aid agreement were developed.

In the Middle East, it was revealed that Czechoslovakia had offered the lowest bid for construction of an oil refinery in Syria. It is probable that the bid was prepared with Soviet assistance, and perhaps it involved a Soviet subsidy as a means of enabling Czechoslovakia to underbid the West.

Another Bloc move toward the control of Middle East oil was a Soviet contract to deliver to Israel from \$18 million to \$20 million worth of crude and fuel oil, an amount which would guarantee approximately 40 percent of Israel's annual fuel oil needs for the next 2 years.

During the period the following trade agreements were signed between members of the Soviet Bloc and countries of the Middle East: Israel with Hungary, Yemen with East Germany and Czechoslovakia, and Greece with Hungary.

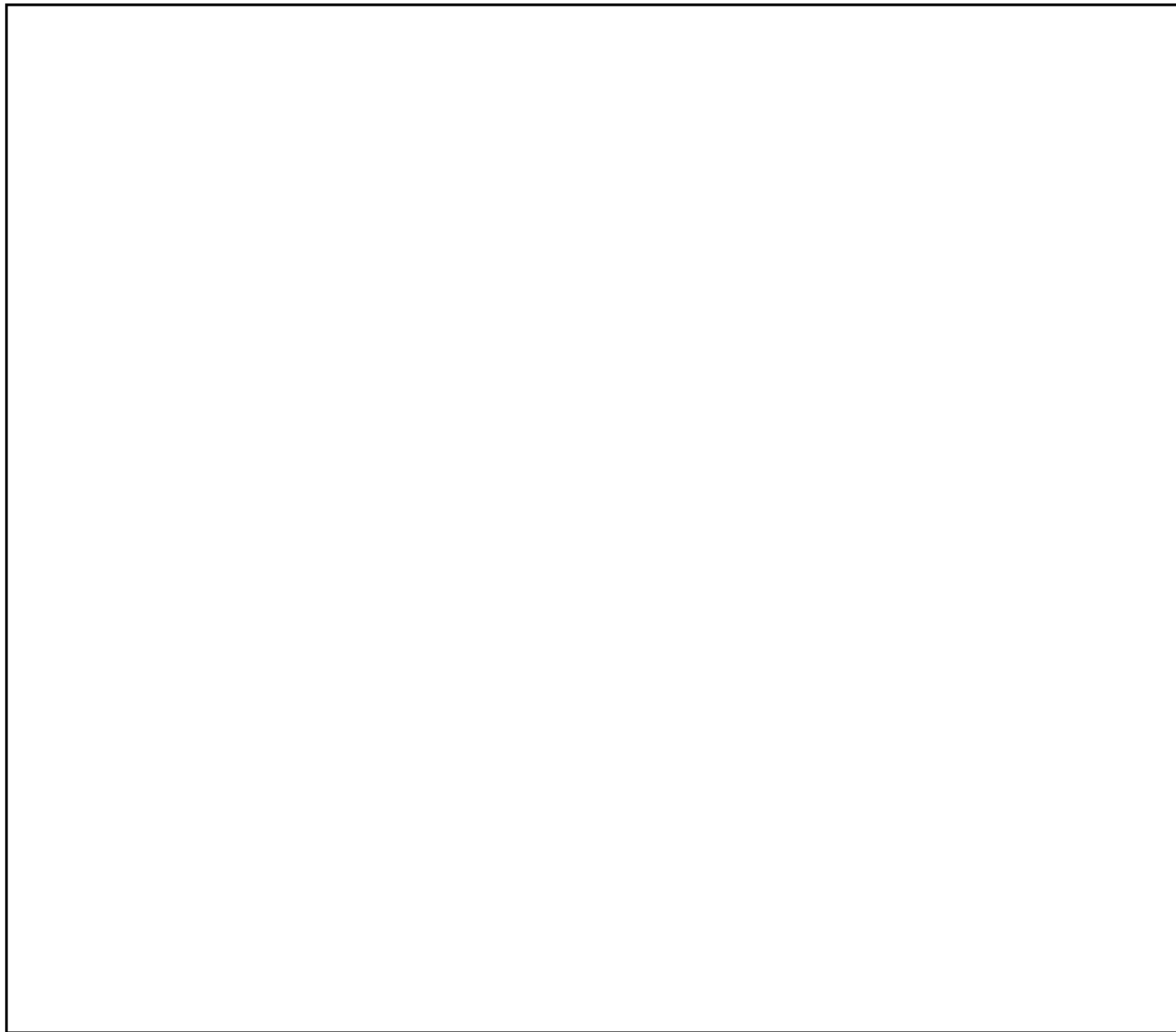
In an effort to expand markets for Ecuadoran bananas, an Ecuadoran trade mission visited Europe in June. Sales are reported to have been made to Czechoslovakia and Poland. Also in June, a Polish commercial trade delegation traveled from Bogotá to Ecuador to discuss possible trade agreements with leading businessmen and bankers.

Recent Bloc economic activities in Europe indicate that the Bloc is attempting not only to expand trade with Iceland but also to participate in that country's internal development program. Other Bloc activities in Europe include an agreement to form a

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Yugoslav-Rumanian commission to examine the possibility of joint construction of a hydroelectric power project at the Iron Gate section of the Danube.

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